

SIDNEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Sidney Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education
(Before September 2006 Election)

Rusty Monroe	President	2007
Jeff Jorgenson	Vice President	2007
Debbie Grudle	Board Member	2006
Janet Teten	Board Member	2008
Heidi Lowthorp	Board Member	2006

Board of Education
(After September 2006 Election)

Jeff Jorgenson	President	2007
Heidi Lowthorp	Vice President	2009
Rusty Monroe	Board Member	2007
Janet Teten	Board Member	2008
Randy Bishop	Board Member	2009

School Officials

Gregg Cruickshank	Superintendent	2007
Joyce Morgan	District Secretary/Treasurer	2007
Johnson Law PLC	Attorney	2007

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Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Sidney Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Sidney Community School District, Sidney, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Sidney Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2008 on our consideration of the Sidney Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sidney Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

February 5, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sidney Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,491,319 in fiscal year 2006 to \$3,567,078 in fiscal year 2007, while General Fund expenditures increased from \$3,269,998 in fiscal 2006 to \$3,459,511 in fiscal 2007. This resulted in an increase in the District's General Fund balance from \$456,657 in fiscal 2006 to a balance of \$590,229 in fiscal 2007.
- The increase in General Fund revenues was attributable to an increase in state grant revenues in fiscal 2007. The increase in expenditures was due primarily to an increase in regular and special instruction expenditures.
- Overall, the District's net assets increased in the governmental activities and increased in business-type activities, \$387,089 and \$15,022, respectively.

USING THIS ANNUAL REPORT

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are Government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.
- The governmental funds statements explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section or required supplementary information that further explains and supports the financial statements with a comparison on the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Sidney Community School District Annual Financial Report

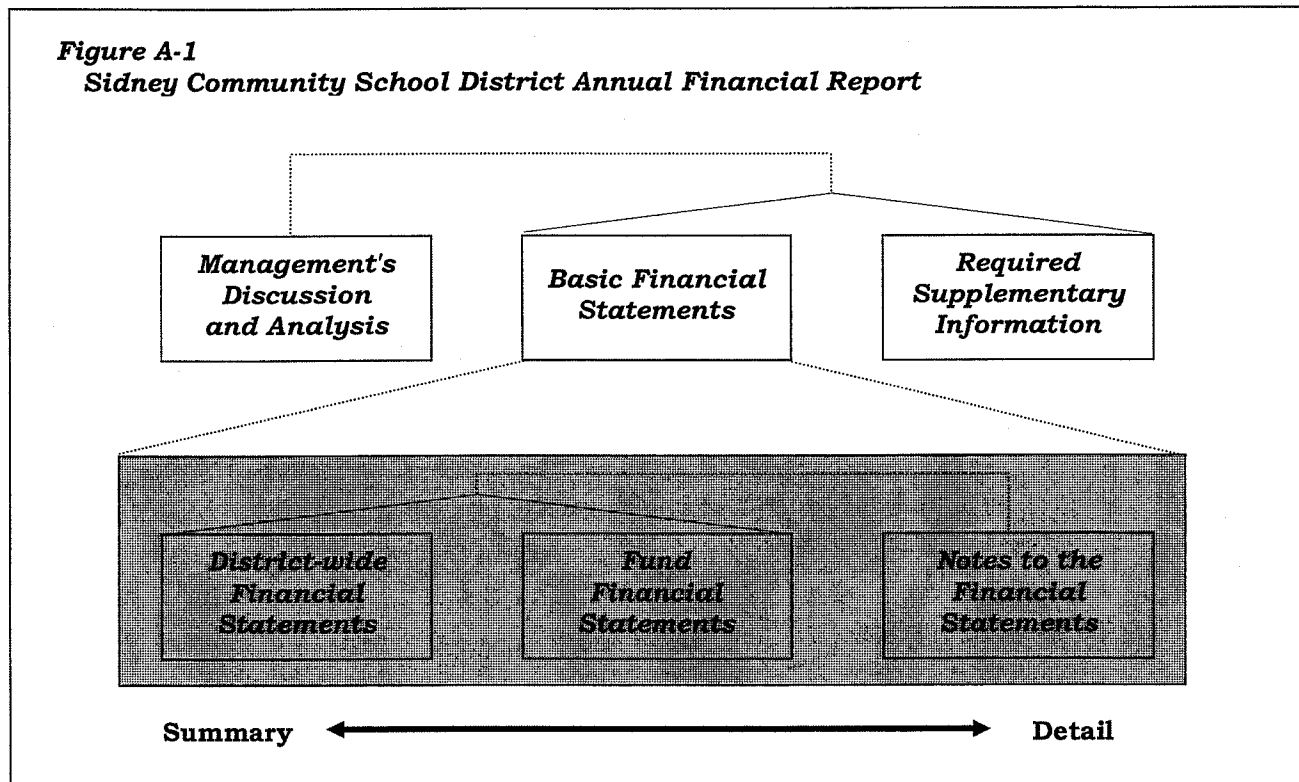


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The District's internal service funds, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one internal service fund for the handling of flex benefits.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 4,067,770	5,627,850	21,991	11,340	4,089,761	5,639,190	-27.48%
Capital assets	3,838,274	3,922,825	41,692	39,264	3,879,966	3,962,089	-2.07%
Total assets	7,906,044	9,550,675	63,683	50,604	7,969,727	9,601,279	-16.99%
Long-term obligations	2,986,608	5,238,701	0	0	2,986,608	5,238,701	-42.99%
Other liabilities	2,719,720	2,499,347	9,379	11,322	2,729,099	2,510,669	8.70%
Total liabilities	5,706,328	7,738,048	9,379	11,322	5,715,707	7,749,370	-26.24%
Net assets:							
Invested in capital assets, net of related debt	851,666	1,197,313	41,692	39,264	893,358	1,236,577	-27.76%
Restricted	662,055	64,319	0	0	662,055	64,319	929.33%
Unrestricted	685,995	550,995	12,612	18	698,607	551,013	26.79%
Total net assets	\$ 2,199,716	1,812,627	54,304	39,282	2,254,020	1,851,909	21.71%

The District's combined net assets increased by 21.71%, or \$402,111, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$597,736, or 929.33% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$147,594, or 26.79%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance which occurred due increased state foundation aid and tuition.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 330,014	264,269	78,196	81,428	408,210	345,697	18.08%
Operating grants and contributions and restricted interest	527,433	531,894	90,913	85,722	618,346	617,616	0.12%
General revenues:							
Property tax	1,527,856	1,569,243	0	0	1,527,856	1,569,243	-2.64%
Local option sales and service tax	245,761	185,451	0	0	245,761	185,451	32.52%
Unrestricted state grants	1,518,127	1,444,753	0	0	1,518,127	1,444,753	5.08%
Unrestricted investment earnings	142,397	117,176	31	22	142,428	117,198	21.53%
Other	19,983	36,537	0	0	19,983	36,537	-45.31%
Total revenues	4,311,571	4,149,323	169,140	167,172	4,480,711	4,316,495	3.80%
Program expenses:							
Governmental activities:							
Instructional	2,255,207	2,035,099	0	0	2,255,207	2,035,099	10.82%
Support services	1,117,117	1,159,379	0	0	1,117,117	1,159,379	-3.65%
Non-instructional programs	0	0	162,211	178,277	162,211	178,277	-9.01%
Other expenses	552,158	410,593	0	0	552,158	410,593	34.48%
Total expenses	3,924,482	3,605,071	162,211	178,277	4,086,693	3,783,348	8.02%
Net income(loss) before capital contributions	387,089	544,252	6,929	(11,105)	394,018	533,147	-26.10%
Capital contributions	0	0	8,093	0	8,093	0	100.00%
Changes in net assets	387,089	544,252	15,022	(11,105)	402,111	533,147	-24.58%
Beginning net assets	1,812,627	1,268,375	39,282	50,387	1,851,909	1,318,762	40.43%
Ending net assets	\$ 2,199,716	1,812,627	54,304	39,282	2,254,020	1,851,909	21.71%

In fiscal 2007, property tax and unrestricted state grants account for 70.6% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were approximately \$4.48 million of which \$4.31 million was for governmental activities and less than \$0.17 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.80% increase in revenues and an 8.02% increase in expenses. Unrestricted state grants increased \$73,374 to fund increases in expenditures.

Governmental Activities

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses. The net cost of services is the result after subtracting grants and charges for services that the District used to offset the program's total cost.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change	2007	2006	Change
			2006-07			2006-07
Instruction	\$ 2,255,207	2,035,099	10.82%	1,516,330	1,350,236	12.30%
Support services	1,117,117	1,159,379	-3.65%	1,114,040	1,157,284	-3.74%
Other expenses	552,158	410,593	34.48%	436,665	301,388	44.88%
Totals	\$ 3,924,482	3,605,071	8.86%	3,067,035	2,808,908	9.19%

- The cost of all governmental activities this year was \$3,924,482.
- A portion of the cost financed by users of the District's programs was \$330,014.
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$527,433.
- The net cost portion of governmental activities was financed with \$1,527,856 in property tax, \$245,761 in local option sales and service tax, \$1,518,127 in unrestricted state grants \$142,397 in interest income, and \$19,983 in other general revenue.

Business-Type Activities

Revenues of the Districts business-type activities were \$169,140 and expenses were \$162,211. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Sidney Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,250,194, compared to last years ending fund balance in governmental funds of \$3,051,533. However, the primary reason for the decrease in combined fund balances in fiscal 2007 is due to the decrease in the District's Debt Service Fund balance.

Governmental Fund Highlights

- The District's General Fund increased \$133,572. The increase is due primarily to an increase in state foundation aid and tuition revenues.
- The District's Physical Plant and Equipment Levy Fund decreased by \$7,439 due to a decrease in local sources of revenue.

-
- The District's Capital Projects Fund increased by \$60,275. The increase is due primarily to the increase in local tax revenue and a decrease in student transportation expenditures.
 - The District's Management Fund increased by \$43,383 due to the increase in local sources of revenue.
 - The District's Debt Service Fund decreased by \$2,035,881 due to the repayment of a general obligation bond.

Proprietary Fund Highlights

- The School Nutrition Fund increased because of an increase in federal revenues and a decrease in non-instructional expenditures.

BUDGETARY HIGHLIGHTS

The District's revenues were \$353,232 less than budgeted receipts, a variance of 7.32%. The most significant variance resulted from the District receiving less in state and federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested governmental funds of \$3,838,274, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$196,991.

The original cost of the District's capital assets was \$ 6.5 million. Governmental funds accounted for \$6.4 million, with the remainder of \$.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest category change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$372,327 at June 30, 2007 compared to \$365,108 reported at June 30, 2006. This increase resulted primarily from the purchase of three vehicles and two mobile computer carts during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 7,500	7,500	0	0	7,500	7,500	0.00%
Buildings	3,445,746	3,534,783	0	0	3,445,746	3,534,783	-2.52%
Land improvements	12,701	15,434	0	0	12,701	15,434	-17.71%
Machinery and equipment	372,327	365,108	41,693	39,264	414,020	404,372	2.39%
Total	<u>\$ 3,838,274</u>	<u>3,922,825</u>	<u>41,693</u>	<u>39,264</u>	<u>3,879,967</u>	<u>3,962,089</u>	<u>-2.07%</u>

Long-Term Debt

At year-end, the District had \$2,986,608 in general obligation and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$2,240,000 at June 30, 2007.

The District had total outstanding Qualified Zone Academy Bonds payable of \$700,000 at June 30, 2007.

The District had a computer lease payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$7,834 at June 30, 2007.

As of June 30, 2007, the District had a bus lease payable of \$38,774. This lease is payable from the Capital Projects Fund.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2007	2006	
General obligation bonds	\$ 2,240,000	4,480,000	-50.0%
Qualified Zone Academy Bonds	700,000	700,000	0.0%
Early retirement	0	1,698	-100.0%
Computer lease	7,834	11,292	-30.6%
Bus lease	38,774	45,711	-15.2%
Totals	<u>\$ 2,986,608</u>	<u>5,238,701</u>	<u>-43.0%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joyce Morgan, Board Secretary/Treasurer, Sidney Community School District, 2754 Knox Road, PO Box 609, Sidney, Iowa, 51652.

BASIC FINANCIAL STATEMENTS

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

Exhibit A

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP (Note 4)	\$ 729,542	0	729,542
Other	1,639,378	19,078	1,658,456
Receivables			
Property tax:			
Delinquent	42,885	0	42,885
Succeeding year	1,410,745	0	1,410,745
Income surtax	98,513	0	98,513
Accounts	83,198	102	83,300
Accrued ISCAP interest (Note 4)	30,323	0	30,323
Due from other governments	33,186	0	33,186
Inventories	0	2,811	2,811
Capital assets, net of accumulated depreciation (Note 5)	3,838,274	41,692	3,879,966
TOTAL ASSETS	7,906,044	63,683	7,969,727
LIABILITIES			
Accounts payable	221,301	422	221,723
Salaries and benefits payable	320,765	8,000	328,765
ISCAP warrants payable (Note 4)	731,000	0	731,000
ISCAP accrued interest payable (Note 4)	25,050	0	25,050
ISCAP unamortized premium	4,115	0	4,115
Accrued interest payable	6,744	0	6,744
Deferred revenue:			
Succeeding year property tax	1,410,745	0	1,410,745
Other	0	957	957
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds payable	195,000	0	195,000
Computer lease	3,756	0	3,756
Bus lease	7,264	0	7,264
Portion due after one year:			
General obligation bonds payable	2,045,000	0	2,045,000
Qualified Zone Academy Bonds payable	700,000	0	700,000
Computer lease	4,078	0	4,078
Bus lease	31,510	0	31,510
TOTAL LIABILITIES	5,706,328	9,379	5,715,707
NET ASSETS			
Investment in capital assets, net of related debt	851,666	41,692	893,358
Restricted for:			
Market factor	2,090	0	2,090
Capital projects	152,247	0	152,247
Management levy	77,607	0	77,607
Physical plant and equipment levy	7,005	0	7,005
Debt service levy	389,714	0	389,714
Other special revenue purposes	33,392	0	33,392
Unrestricted	685,995	12,612	698,607
TOTAL NET ASSETS	\$ 2,199,716	54,304	2,254,020

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,417,277	141,178	391,500	(884,599)	0	(884,599)
Special instruction	612,881	62,319	20,440	(530,122)	0	(530,122)
Other instruction	225,049	123,440	0	(101,609)	0	(101,609)
	<u>2,255,207</u>	<u>326,937</u>	<u>411,940</u>	<u>(1,516,330)</u>	<u>0</u>	<u>(1,516,330)</u>
Support services:						
Student services	129,148	0	0	(129,148)	0	(129,148)
Instructional staff services	108,393	0	0	(108,393)	0	(108,393)
Administration services	382,697	0	0	(382,697)	0	(382,697)
Operation and maintenance of plant services	307,839	0	0	(307,839)	0	(307,839)
Transportation services	189,040	3,077	0	(185,963)	0	(185,963)
	<u>1,117,117</u>	<u>3,077</u>	<u>0</u>	<u>(1,114,040)</u>	<u>0</u>	<u>(1,114,040)</u>
Other expenditures:						
Facilities acquisitions	150,666	0	0	(150,666)	0	(150,666)
Long-term debt interest	181,007	0	0	(181,007)	0	(181,007)
AEA flowthrough	115,493	0	115,493	0	0	0
Depreciation(unallocated)*	104,992	0	0	(104,992)	0	(104,992)
	<u>552,158</u>	<u>0</u>	<u>115,493</u>	<u>(436,665)</u>	<u>0</u>	<u>(436,665)</u>
Total governmental activities	<u>3,924,482</u>	<u>330,014</u>	<u>527,433</u>	<u>(3,067,035)</u>	<u>0</u>	<u>(3,067,035)</u>
Business-Type activities:						
Non-instructional programs:						
Nutrition services	162,211	78,196	90,913	0	6,898	6,898
Total business-type activities	<u>162,211</u>	<u>78,196</u>	<u>90,913</u>	<u>0</u>	<u>6,898</u>	<u>6,898</u>
Total	<u>\$ 4,086,693</u>	<u>408,210</u>	<u>618,346</u>	<u>(3,067,035)</u>	<u>6,898</u>	<u>(3,060,137)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,282,786	0	1,282,786
Debt service				218,086	0	218,086
Capital outlay				26,984	0	26,984
Local option sales and services				245,761	0	245,761
Unrestricted state grants				1,518,127	0	1,518,127
Unrestricted investment earnings				142,397	31	142,428
Gain on disposal of equipment				2,451	0	2,451
Other				17,532	0	17,532
Total general revenues				<u>3,454,124</u>	<u>31</u>	<u>3,454,155</u>
Excess of revenues over expenses before capital contribution				387,089	6,929	394,018
Capital contributions				0	8,093	8,093
Changes in net assets				387,089	15,022	402,111
Net assets beginning of year				1,812,627	39,282	1,851,909
Net assets end of year				<u>\$ 2,199,716</u>	<u>54,304</u>	<u>2,254,020</u>

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Debt Service	Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 729,542	0	0	729,542
Other	1,002,697	383,121	247,473	1,633,291
Receivables:				
Property tax:				
Delinquent	33,192	6,593	3,100	42,885
Succeeding year	1,088,240	220,120	102,385	1,410,745
Income surtax	98,513	0	0	98,513
Accounts	82,671	0	527	83,198
Accrued ISCAP interest(Note 4)	30,323	0	0	30,323
Due from other governments	0	0	33,186	33,186
TOTAL ASSETS	\$ 3,065,178	609,834	386,671	4,061,683
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 207,266	0	14,035	221,301
Salaries and benefits payable	320,765	0	0	320,765
ISCAP warrants payable(Note 4)	731,000	0	0	731,000
ISCAP accrued interest payable(Note 4)	25,050	0	0	25,050
ISCAP unamortized premium	4,115	0	0	4,115
Deferred revenue:				
Succeeding year property tax	1,088,240	220,120	102,385	1,410,745
Income surtax	98,513	0	0	98,513
Total liabilities	2,474,949	220,120	116,420	2,811,489
Fund balances:				
Reserved for:				
Debt service	0	389,714	0	389,714
Market factor	2,090	0	0	2,090
Unreserved:				
Designated for special purposes	2,610	0	0	2,610
Undesignated	585,529	0	270,251	855,780
Total fund balances	590,229	389,714	270,251	1,250,194
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,065,178	609,834	386,671	4,061,683

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balances of governmental funds (page 16)	\$ 1,250,194
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,838,274
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	6,087
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(6,744)
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period.	98,513
Long-term liabilities, including bonds payable and qualified zone academy bonds payable, early retirement payable, computer lease payable, and bus lease payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,986,608)</u>
Net assets of governmental activities (page 14)	<u><u>\$ 2,199,716</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Debt Service	Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,207,744	218,086	347,788	1,773,618
Tuition	203,497	0	0	203,497
Other	110,543	56,111	114,785	281,439
State sources	1,861,884	180	85	1,862,149
Federal sources	183,410	0	0	183,410
Total revenues	3,567,078	274,377	462,658	4,304,113
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	1,549,988	0	0	1,549,988
Special instruction	612,881	0	0	612,881
Other instruction	145,283	0	77,050	222,333
	2,308,152	0	77,050	2,385,202
Support services:				
Student services	129,148	0	0	129,148
Instructional staff services	96,780	0	11,613	108,393
Administration services	374,228	0	5,482	379,710
Operation and maintenance of plant services	257,200	0	47,848	305,048
Transportation services	178,510	0	7,365	185,875
	1,035,866	0	72,308	1,108,174
Other expenditures:				
Facilities acquisitions	0	0	57,008	57,008
Long-term debt:				
Principal	0	2,250,395	0	2,250,395
Interest and fiscal charges	0	191,631	0	191,631
AEA flowthrough	115,493	0	0	115,493
	115,493	2,442,026	57,008	2,614,527
Total expenditures	3,459,511	2,442,026	206,366	6,107,903
Excess(deficiency) of revenues over(under) expenditures	107,567	(2,167,649)	256,292	(1,803,790)
Other financing sources(uses):				
Sale of equipment	2,451	0	0	2,451
Transfers in	23,554	131,768	0	155,322
Transfers out	0	0	(155,322)	(155,322)
Total other financing sources(uses)	26,005	131,768	(155,322)	2,451
Net change in fund balances	133,572	(2,035,881)	100,970	(1,801,339)
Fund balances beginning of year	456,657	2,425,595	169,281	3,051,533
Fund balances end of year	\$ 590,229	389,714	270,251	1,250,194

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 18) \$ (1,801,339)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 106,776	
Depreciation expense	<u>(191,327)</u>	(84,551)

Proceeds from issuing long-term liabilities provide current financial resources to governmental fund, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Issued	0	
Repaid	<u>2,250,395</u>	2,250,395

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 5,255

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 5,007

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 10,624

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		<u>1,698</u>
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Changes in net assets of governmental activities (page 15) \$ 387,089

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Cash and pooled investments	\$ 19,078	6,087
Accounts receivable	102	0
Inventories	2,811	0
Capital assets, net of accumulated depreciation(Note 5)	41,692	0
Total assets	<u>63,683</u>	<u>6,087</u>
LIABILITIES		
Accounts payable	422	0
Salaries and benefits payable	8,000	0
Deferred revenue:		
Other	957	0
Total liabilities	<u>9,379</u>	<u>0</u>
NET ASSETS		
Invested in capital assets, net of related debt	41,692	0
Unrestricted	12,612	6,087
Total net assets	<u>\$ 54,304</u>	<u>6,087</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2007

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 78,196	43,814
OPERATING EXPENSES:		
Non-instructional programs:		
Salaries	68,214	0
Benefits	10,173	38,559
Services	3,816	0
Supplies	74,344	0
Depreciation	5,664	0
TOTAL OPERATING EXPENSES	162,211	38,559
OPERATING INCOME (LOSS)	(84,015)	5,255
NON-OPERATING REVENUES:		
State sources	2,231	0
Federal sources	88,682	0
Interest on investments	31	0
TOTAL NON-OPERATING REVENUES	90,944	0
Net income before capital contributions	6,929	5,255
Capital contributions	8,093	0
Changes in net assets	15,022	5,255
Net assets beginning of year	39,282	832
Net assets end of year	\$ 54,304	6,087

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	Business-Type	
	Activities:	Governmental
	Enterprise	Activities:
	Fund	Internal
	School	Service
	Nutrition	Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 77,357	\$ 0
Cash received from miscellaneous operating activities	638	43,814
Cash payments to employees for services	(80,619)	(41,045)
Cash payments to suppliers for goods or services	(68,914)	0
Net cash provided by (used in) operating activities	(71,538)	2,769
Cash flows from non-capital financing activities:		
State grants received	2,231	0
Federal grants received	79,398	0
Net cash provided by non-capital financing activities	81,629	0
Cash flows from investing activities:		
Interest on investments	31	0
Net increase in cash and cash equivalents	10,122	2,769
Cash and cash equivalents at beginning of year	8,956	3,318
Cash and cash equivalents at end of year	\$ 19,078	\$ 6,087
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	\$ (84,015)	\$ 5,255
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Commodities consumed	9,284	0
Depreciation	5,664	0
Increase in inventories	(427)	0
Increase in accounts receivable	(102)	0
Increase(decrease) in accounts payable	389	(2,486)
Decrease in salaries and benefits payable	(2,232)	0
Decrease in deferred revenue	(99)	0
Net cash provided by (used in) operating activities	\$ (71,538)	\$ 2,769
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 19,078	\$ 6,087

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$9,284.

During the year ended June 30, 2007, the District received \$8,093 in capital contributions from Capital Projects Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The Sidney Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Sidney, Iowa, and the predominate agricultural territory in Fremont County. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sidney Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Sidney Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Fremont County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007 expenditures did not exceed budgeted amounts.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 725</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 9,099
Debt Service	Capital Projects	50,000
Debt Service	Physical Plant and Equipment Levy	4,399
General	Capital Projects	23,554
Debt Service Sinking	Capital Projects	68,270
Total		<u>\$ 155,322</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/06	6/28/07	\$ 0	23,174	0	18,973
2006-07B	1/26/07	1/25/08	311,204	7,024	312,000	5,970
2007-08A	6/29/07	6/28/08	418,338	125	419,000	107
Total			<u>\$ 729,542</u>	<u>30,323</u>	<u>731,000</u>	<u>25,050</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must

make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP had no advance activity in the General Fund for the year ended June 30, 2007.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2006-07B	4.250%	5.315%
2007-08A	4.500%	5.455%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	7,500	0	0	7,500
Total capital assets not being depreciated	7,500	0	0	7,500
Capital assets being depreciated:				
Buildings	5,231,830	13,222	0	5,245,052
Land improvements	188,376	0	0	188,376
Machinery and equipment	887,709	93,554	27,920	953,343
Total capital assets being depreciated	6,307,915	106,776	27,920	6,386,771
Less accumulated depreciation for:				
Buildings	1,697,047	102,259	0	1,799,306
Land improvements	172,942	2,733	0	175,675
Machinery and equipment	522,601	86,335	27,920	581,016
Total accumulated depreciation	2,392,590	191,327	27,920	2,555,997
Total capital assets being depreciated, net	3,915,325	(84,551)	0	3,830,774
Governmental activities capital assets, net	\$ 3,922,825	(84,551)	0	3,838,274

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 96,297	8,092	0	104,389
Less accumulated depreciation	57,033	5,664	0	62,697
Business-type activities capital assets, net	\$ 39,264	2,428	0	41,692

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 30,278
Other	2,716

Support services:

Administration	2,987
Operation and maintenance of plant	2,791
Transportation	47,563
	86,335
Unallocated depreciation	104,992

Total depreciation expense - governmental activities \$ 191,327

Business-type activities:

Food services operations	\$ 5,664
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(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 4,480,000	0	2,240,000	2,240,000	195,000
Qualified zone academy bonds	700,000	0	0	700,000	0
Early retirement	1,698	0	1,698	0	0
Computer lease	11,292	0	3,458	7,834	3,756
Bus lease	45,711	0	6,937	38,774	7,264
Total	\$ 5,238,701	0	2,252,093	2,986,608	206,020

General Obligation Bonds Payable

On April 1, 2004, the District issued \$2,235,000 of general obligation refunding bonds, with interest rates ranging from 2.10% to 3.80%, for a crossover refunding of a portion of the general obligation bonds issued June 15, 1997. The District entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$2,090,000 principal of the refunded general obligation bonds when they became callable on June 1, 2007 and the interest from April 1, 2004 to and including June 1, 2007 on the refunding bonds. After the principal and interest on all of the

outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions and balances of the escrow account are recorded by the District.

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2004			Bond Issue of June 15, 1997			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2008	2.10 %	\$ 190,000	70,105	5.25 %	\$ 5,000	0	\$ 195,000	70,105	265,105
2009	2.40	205,000	66,115		0	0	205,000	66,115	271,115
2010	2.65	210,000	61,195		0	0	210,000	61,195	271,195
2011-2017	2.85-3.80	1,630,000	306,355		0	0	1,630,000	306,355	1,936,355
Total		\$ 2,235,000	503,770		\$ 5,000	0	\$ 2,240,000	503,770	2,743,770

Qualified Zone Academy Bonds

During the year ended June 30, 2003, the District issued zero interest Qualified Zone Academy Bonds (QZAB). Annual transfers from the Capital Projects - Local Option Sales and Services Tax fund to a debt sinking fund will be made to pay the indebtedness due December 15, 2010, of \$700,000.

Computer Lease

Details of the District's June 30, 2007 computer lease indebtedness, which is paid from the Physical Plant and Equipment Levy Fund, is as follows:

Year Ending June 30,	Computer lease dated May 10, 2006				
	Interest Rates	Principal	Interest	Total	
2008	8.28 %	\$ 3,756	643	4,399	
2009	8.28	4,078	321	4,399	
Total		\$ 7,834	964	8,798	

Bus Lease

Details of the District's June 30, 2007 bus lease indebtedness, which is paid from the Capital Projects Fund, is as follows:

Year Ending June 30,	Bus lease dated February 5, 2006			
		Principal	Interest	Total
2008	\$	7,264	1,834	9,098
2009		31,510	1,490	33,000
Total	\$	38,774	3,324	42,098

Early Retirement

The District offers an early retirement incentives to employees. Early retirement incentive for the employees is equal to twelve months of health insurance. A liability has been recorded in the government-wide financial statements representing the District's commitment to fund non-current early retirement. District disbursements for early retirement for the year ended June 30, 2007 were \$1,698.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$110,322, \$104,189, and \$105,771 respectively, equal to the required contributions for each year.

(8) Risk Management

Sidney Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$115,493 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental		Proprietary			Final to
	Fund Types	Fund Type	Total			Actual
	Actual	Actual	Actual	Original	Final	Variance
Revenues:						
Local sources	\$ 2,258,554	78,227	2,336,781	2,495,343	2,495,343	(158,562)
State sources	1,862,149	2,231	1,864,380	1,946,142	1,946,142	(81,762)
Federal sources	183,410	88,682	272,092	385,000	385,000	(112,908)
Total revenues	4,304,113	169,140	4,473,253	4,826,485	4,826,485	(353,232)
Expenditures:						
Instruction	2,385,202	0	2,385,202	2,739,779	2,739,779	354,577
Support services	1,108,174	0	1,108,174	1,529,522	1,529,522	421,348
Non-instructional programs	0	162,211	162,211	230,487	230,487	68,276
Other expenditures	2,614,527	0	2,614,527	2,883,217	2,883,217	268,690
Total expenditures	6,107,903	162,211	6,270,114	7,383,005	7,383,005	1,112,891
Excess(Deficiency) of revenues over(under) expenditures	(1,803,790)	6,929	(1,796,861)	(2,556,520)	(2,556,520)	(759,659)
Other financing sources, net	2,451	8,093	10,544	4,000	4,000	(6,544)
Excess(Deficiency) of revenues and other financing sources over(under) expend	(1,801,339)	15,022	(1,786,317)	(2,552,520)	(2,552,520)	(766,203)
Balance beginning of year	3,051,533	39,282	3,090,815	3,679,614	3,679,614	(588,799)
Balance end of year	\$ 1,250,194	54,304	1,304,498	1,127,094	1,127,094	177,404

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

SIDNEY COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total	Capital Projects	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 75,323	36,332	6,189	117,844	129,629	247,473
Receivables:						
Property tax:						
Current year delinquent	2,284	0	816	3,100	0	3,100
Succeeding year	75,000	0	27,385	102,385	0	102,385
Accounts	0	527	0	527	0	527
Due from other governments	0	0	0	0	33,186	33,186
TOTAL ASSETS	\$ 152,607	36,859	34,390	223,856	162,815	386,671
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable	\$ 0	3,467	0	3,467	10,568	14,035
Deferred revenue:						
Succeeding year property tax	75,000	0	27,385	102,385	0	102,385
Total liabilities	75,000	3,467	27,385	105,852	10,568	116,420
Unreserved fund balances:	77,607	33,392	7,005	118,004	152,247	270,251
TOTAL LIABILITIES AND FUND BALANCES	\$ 152,607	36,859	34,390	223,856	162,815	386,671

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds					Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total	Capital Projects	
REVENUES:						
Local sources:						
Local tax	\$ 75,043	0	26,984	102,027	245,761	347,788
Other	22,887	81,801	515	105,203	9,582	114,785
State sources	63	0	22	85	0	85
TOTAL REVENUES	97,993	81,801	27,521	207,315	255,343	462,658
EXPENDITURES:						
Current:						
Instruction:						
Other instruction	0	77,050	0	77,050	0	77,050
Support services:						
Instructional staff	0	0	3,033	3,033	8,580	11,613
Administration services	2,592	0	2,890	5,482	0	5,482
Operation and maintenance of plant services	44,653	0	2,395	47,048	800	47,848
Student transportation	7,365	0	0	7,365	0	7,365
Other expenditures:						
Facilities acquisitions	0	0	22,243	22,243	34,765	57,008
TOTAL EXPENDITURES	54,610	77,050	30,561	162,221	44,145	206,366
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	43,383	4,751	(3,040)	45,094	211,198	256,292
OTHER FINANCING SOURCES (USES):						
Transfers out	0	0	(4,399)	(4,399)	(150,923)	(155,322)
Total other financing sources (uses)	0	0	(4,399)	(4,399)	(150,923)	(155,322)
EXCESS(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES	43,383	4,751	(7,439)	40,695	60,275	100,970
FUND BALANCE BEGINNING OF YEAR	34,224	28,641	14,444	77,309	91,972	169,281
FUND BALANCE END OF YEAR	\$ 77,607	33,392	7,005	118,004	152,247	270,251

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Daisy Hummel Memorial	\$ 330	0	0	330
Musical	519	2,846	2,198	1,167
Vocal Music	205	1,084	505	784
Swing Choir/Jazz Band	474	328	592	210
JH Athletics	1,903	4,020	3,032	2,891
JH Girls Basketball	233	0	50	183
Golf	57	532	322	267
Boys Basketball	3,311	4,576	5,641	2,246
Football	1,340	7,443	4,790	3,993
FB Fundraiser	1	0	0	1
Baseball	0	2,543	2,543	0
Boys Track	75	1,786	1,861	0
Wrestling	100	3,005	2,274	831
Girls Basketball	3,055	4,707	3,966	3,796
Volleyball	581	2,677	2,321	937
Softball	0	4,010	4,010	0
Girls Track	80	360	440	0
Art Club	719	2,267	1,770	1,216
FFA	2,018	0	0	2,018
FCCLA	987	622	1,302	307
Honor Society	212	440	289	363
Letterman Club	1,354	0	0	1,354
Student Council HS	381	2,385	2,207	559
Student Council JH	1,279	695	713	1,261
Student Concession AC	0	920	349	571
Trophy Case	170	0	0	170
Band Projects	344	587	299	632
BB Cheerleaders	584	142	569	157
Class of 2005	170	0	0	170
Class of 2006	1,534	0	1,534	0
Class of 2007	2,384	130	2,514	0
Class of 2008	538	8,643	5,663	3,518
Class of 2009	57	59	0	116
Class of 2010	0	50	0	50
FB Cheerleaders	210	5,084	4,415	879
WR Cheerleaders	0	1,898	1,876	22
Athletics Pop Machine	937	12,944	13,881	0
Elementary Activities	940	1,833	1,619	1,154
Industrial Arts	151	0	0	151
Interest	72	902	974	0
Elementary Pop Machine	363	1,148	1,396	115
Library	15	0	0	15
P.E. Fundraiser	304	0	0	304
Plays	654	0	0	654
Athletic Season	0	1,135	1,135	0
Total	\$ 28,641	81,801	77,050	33,392

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$	1,773,618	1,758,105	1,633,214	1,675,765
Tuition		203,497	146,025	124,819	104,926
Other		281,439	260,332	285,964	151,977
State sources		1,862,149	1,801,552	1,649,337	1,579,256
Federal sources		183,410	170,584	196,792	149,207
Total	\$	4,304,113	4,136,598	3,890,126	3,661,131
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	1,549,988	1,451,545	1,383,753	1,378,326
Special instruction		612,881	488,056	442,290	432,934
Other instruction		222,333	311,437	298,717	279,155
Support services:					
Student services		129,148	134,148	113,912	108,455
Instructional staff services		108,393	133,909	78,533	72,056
Administration services		379,710	370,155	455,720	400,681
Operation and maintenance of plant services		305,048	288,372	278,940	245,471
Transportation services		185,875	257,805	149,636	162,110
Other expenditures:					
Facilities acquisitions		57,008	39,740	240,802	646,678
Long-term debt:					
Principal		2,250,395	158,207	135,000	130,000
Interest and other charges		191,631	196,603	205,650	220,241
AEA flow-through		115,493	109,205	108,712	110,293
Total	\$	6,107,903	3,939,182	3,891,665	4,186,400

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Sidney Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sidney Community School District of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 5, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sidney Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Sidney Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sidney Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Sidney Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Sidney Community School District's financial statements that is more than inconsequential will not be prevented or detected by Sidney Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Sidney Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sidney Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sidney Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Sidney Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sidney Community School District and other parties to whom Sidney Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sidney Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

February 5, 2008

SIDNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

- I-B-07 Activity Admissions - The Activity gate admissions and change box were not reconciled with pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for activity admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response - Our facility does not lend itself to such a procedure. However, we will review our present procedures and consider the recommended reconciliation procedures.

Conclusion - Response accepted.

- I-C-07 Activity Fund - We noted during our audit that the Student Activity Fund contained a Class of 2005 account.

Recommendation - Once a class has graduated, the account should be closed and the remaining funds redistributed to other individual accounts in the Activity Fund.

Response - District management was waiting to hear from students in the class to decide what to do with remaining funds. The account has since been closed and the remaining funds were placed where the students decided to place them.

Conclusion - Response acknowledged. Class accounts which are no longer active should be redistributed within the Activity Fund with Board approval.

- I-D-07 Payroll Procedures - We noted during the audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-

certified staff coaches.

Response - District is reviewing payroll procedures in regards to keeping track of hours worked for non-certified staff.

Conclusion - Response accepted.

- I-E-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

- I-F-07 Authorized Check Signatures - We noted during our audit, one instance of only one signature on a District's Capital Projects Fund check.

Recommendation - Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in their absence. The Board should implement procedures so each check is signed appropriately.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

SIDNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Statutory Reporting

- II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the amount budgeted.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.
- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.